



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: July 21, 2006 REPORT NO: 06-132

ATTENTION: Committee on Land Use and Housing
Agenda of September 27, 2006

SUBJECT: Development at Montgomery Field Airport

REFERENCE: CMR 04-179

REQUESTED ACTION:

Authorize staff to exclusively negotiate a development lease for the Southwest Area of Montgomery Field Airport with Square One Development.

STAFF RECOMMENDATION:

Staff recommends to exclusively negotiate a development lease with Square One Development.

COMMUNITY PLANNING GROUP RECOMMENDATION:

The Airports Advisory Committee did not reach any consensus on this issue.

SUMMARY:

On August 4, 2004, the Committee on Land Use and Housing unanimously approved the City Manager to issue a Request for Proposals (RFP) for the Southwest Area of Montgomery Field Airport. On October 13, 2004, staff issued the RFP for the redevelopment of this 13.77 acre site, of which, approximately six acres are unconstrained and enjoy access from Kearny Villa Road. The area contains several older hangars and the pavement in this vicinity has deteriorated beyond repair and must be completely replaced.

The site is partially constrained due to the proximity of a Runway Protection Zone (RPZ), therefore, the optimal use of the unconstrained area is to develop hangars and infrastructure with additional aircraft tie-down spaces in a location outside of the RFP area, which will subsequently revert to the City. A development that includes a combination of hangars, tie-downs, pilot facilities, and office space is contemplated in the development proposal, which will help accommodate the demand for general aviation facilities.

BACKGROUND

The terms of the RFP specifically required the potential developer to submit a proposal for aviation related development at the airport in accordance with the City's objectives and Federal Aviation Administration requirements. The deadline for submittal of proposals was December 17, 2004. Three proposals were received prior to the submittal deadline. Each of the proposals contemplated aviation related development with an emphasis on hangar construction, ranging between 15 and 40. The proposals had differing degrees of detail and professional analysis.

A selection committee of three was formed to review the proposals, interview the respondents and to recommend the optimum proposal. After a thorough review process, the selection committee recommended Square One Development. Immediately following the recommendation, the winning proposer was requested to make a presentation to the Airports Advisory Committee (AAC) to summarize the proposal and solicit input on the development.

At the AAC meeting, the airport users made clear their desire to maintain low cost tiedowns in the Southwest Area of the airport. Based on the recommendation, Square One Development reconfigured the development to include low cost tiedowns. However, the site identified by Square One Development for the tiedowns is recognized by the FAA as being in a portion of the RPZ and therefore unsuitable for long term aircraft parking. Another site was identified adjacent to the RFP area that could accommodate tiedowns. That area would be developed by Square One but would be relinquished to the City since it is outside the original RFP development area.

To date, Square One Development has made three presentations to the AAC regarding the development and has solicited input from various airport users and tenants. After the each of the presentations, the developer made several modifications to the proposed development at the request of the AAC and other airport users. At the third AAC meeting, two motions were made, one in support of the development and the other not to support the development. Both motions failed.

It is the goal of the Airports Division to provide business opportunities for private development that are in the best interest of each City airport and the surrounding communities. Such development will help to meet the demand for newer, modern aviation facilities at the airports. Additionally, revenues generated from these opportunities will assist the airports in remaining fiscally self-sufficient and improve the infrastructure. These new businesses will increase the economic opportunities for neighboring communities. The development will be required to be consistent with the goals of the airport and approved by both City Council and the Federal Aviation Administration.

If the LU&H Committee authorizes staff to exclusively negotiate with Square One Development, the result will be the creation of detailed development plans and lease terms, which staff will then present to the City Council for consideration.

FISCAL CONSIDERATIONS:

The Airports Division is an enterprise fund that is supported largely by revenue collected from lease rent. This development would significantly increase rent revenue from this area of the airport. The costs for development, including any required infrastructure, will be the sole responsibility of the developer.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The Committee on Land Use and Housing unanimously approved the issuance of the RFP on August 4, 2004.

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

City staff and Square One Development have made three presentations to the AAC regarding the proposed development. In each meeting, input was solicited from various airport users and tenants. After each of the presentations, the developer made several modifications to the proposed development at the request of the AAC and other airport users. The number of small aircraft hangars and tiedowns were substantially increased. At the third AAC meeting, two motions were made, one in support of the development and the other not to support the development. Both motions failed.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The stakeholders and likely group to be impacted are the airport users and existing tenants in the Southwest Area. These include an aircraft repair facility, a flight school, an aircraft repair classroom and various aircraft owners that use tiedowns and hangars in the area. The developer has committed to offering all of the existing users first right of refusal in the new development. Additionally, the developer will construct a public wash rack as well as tiedowns in an location outside the RFP area, which will revert to City management after completion. Additionally, any potential agreement will include an early termination clause that will allow for flexibility in future land use for this area.

Respectfully Submitted,

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